

**Illinois Department of Revenue
Regulations**

Title 86 Part 110 Section 110.112 Procedures for Assessment of Section 515 Low-income Housing Projects

TITLE 86: REVENUE

**PART 110
PROPERTY TAX CODE**

Section 110.112 Procedures for Assessment of Section 515 Low-income Housing Projects

a) Definitions

“Section 515 low-income housing project” means a rental apartment facility: developed and managed under a United States Department of Agriculture Rural Rental Housing Program designed to provide affordable housing to low to moderate income families (as defined in 42 USC 1437) and seniors in rural communities with populations under 20,000; that receives a subsidy in the form of a 1% loan interest rate and a 50-year amortization of the mortgage; that would not have been built without a Section 515 interest credit subsidy; and where the owner of the project is limited to an annual profit of an 8% return on a 5% equity investment. [35 ILCS 200/10-240]

“Section 515 low-income housing project certificate” means a document issued to the owner of the property by the State Director of the United States Department of Agriculture, Rural Development Office, certifying that the property described in that document qualifies for assessment as a Section 515 low-income housing project.

b) Assessment of Section 515 Low-income Housing Projects

Beginning on January 1, 2000, except in counties of more than 200,000 that classify property for the purpose of taxation, local property assessment officers shall assess property that has been certified for the year of assessment as a Section 515 low-income housing project in accordance with Section 10-245 of the Property Tax Code [35 ILCS 200/10-245] and the method of valuation provided in this Part. [35 ILCS 200/10-250]

c) Certification

For a rental apartment facility to be certified as a Section 515 low-income housing project, the owner must file an application for a Section 515 low-income housing project certificate with the State Director of the United States Department of Agriculture, Rural Development Office, in the form and manner prescribed in regulations issued by that office. If the application is approved, the office will issue to the owner a Section 515 low-income housing project certificate for that property. [35 ILCS 200/10-250]

d) Submittal of Certificate to Local Assessment Office

For a Section 515 low-income housing project to be assessed under the method of valuation provided under subsection (e) of this Section, the owner must submit by the 1st day of April, for the year 2001 and thereafter, to the local assessment office a copy of the Section 515 low-income housing project certificate issued to him for that property, a copy of the financial statement for the applicable assessment year for that property filed with the United States Department of Agriculture, Rural Development Office, and any other information the local assessment office may request. [35 ILCS 200/10-250]

e) Method of Valuation

- 1) *Local assessment officers shall assess for local property tax purposes property that has been certified for the year of assessment as a Section 515 low-income housing project at 33 1/3% of the fair market value of its economic productivity to the owner. [35 ILCS 200/10-245]*
- 2) *The fair market value of the property's economic productivity to the owner shall be determined by considering the actual or probable net operating income attributable to the project, using a vacancy rate of not more than 5%, capitalized at typical market rates for similar, non-subsidized property. [35 ILCS 200/10-245]*
- 3) In determining the net operating income attributable to the property, property taxes paid cannot be considered as an expense of any kind, and must be deducted if included as an expense in the financial statement, and income and expense items not pertaining to the real property itself cannot be considered in determining net operating income for purposes of valuation under this Part.
- 4) *For the purpose of determining the interest rate to be used in developing the overall market value capitalization rate for a Section 515 low-income housing project, local assessment officers shall use an interest rate that reflects the prevailing cost of cash for other types of commercial real estate in the geographic market area in which the Section 515 low-income housing project is located. [35 ILCS 200/10-245]*
- 5) Local assessment officers shall use the effective tax rate as a component of the overall market capitalization rate for purposes of valuation under this Part.

f) Cancellation or Revocation of Certificate

In the event that a Section 515 low-income housing project certificate is cancelled or revoked, the local assessment officer shall assess the property described in the cancelled or revoked certificate for the applicable assessment year in accordance with the assessment procedures used for other commercial property in the county.

g) Address

The address to which an owner may submit an application for certification of property as a Section 515 low-income housing project is: State Director, Rural

Development Office, United States Department of Agriculture, 1817 South Neil Street, Champaign, Illinois 61820.

(Source: Added at 25 Ill. Reg. 191, effective December 26, 2000)